What the COP26 agreement really means for the climate

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Body

As the dust settles from the COP26 climate summit, the results are becoming more clear. Despite its resulting document-the Glasgow Climate Pact-being the most ambitious international agreement to date, scientists still warn we are heading towards 2.4℃ warming, far surpassing the 1.5℃ goal of the Paris Agreement (though consider that pre-Paris warming was expected to be closer to 4.0℃). While the commitments fell short, every nation agreed to return to COP27 in Cairo with more aggressive goals, keeping the 1.5℃ goal alive-barely

For nearly 200 countries to reach multiple important agreements, all the while harboring entirely different goals and necessities, is no small feat. In this light, the Glasgow pact is a good step that can be improved going forward.

[Source Photo: Ian Forsyth/Getty Images]

More progress than reported

While this COP did not produce the headline-grabbing commitments we have seen in the past, the participants made real progress. For example, 140 countries representing 90% of global forestry agreed to end and reverse deforestation by 2030, and over 100 countries agreed to a methane reduction pledge of 30% by 2030. Even the U.S. and China put aside their currently frosty relationship to come together on climate issues.

Methane is nearly 100 times more potent than carbon dioxide in its global warming potential. U.S. Special Envoy John Kerry put this agreement in context: "If we've reached the goal...that is the equivalent of taking all the cars in the world, all of the trucks in the world, all of the airplanes in the world, all ships in the world, down to zero. That's how big it is."

When responding to questions about the lack of hard targets in the U.S.-China pact, Kerry framed it this way: China's willingness to cooperate, its current state of emissions, and its history of "outperforming its own goals" makes this agreement more ambitious than its critics realize.

This COP delivered in many ways what previous climate summits did not; amazingly, it was the first to explicitly mention the "phasing out" of fossil fuel subsidies and the contentious "phasing down" of coal. There was also clear progress in increasing transparency and accountability in how countries measure their emission reduction targets by introducing a yearly report summarizing countries' annual commitments.

[Source Photo: Ian Forsyth/Getty Images]

A fragile win from a flawed process

According to COP26 President Alok Sharma, the climate summit was a "fragile win." During his closing speech, Sharma held back tears and apologized for the watered-down language in the pact. At the eleventh hour, India had

demanded that a "phase out" of coal-fired electric power be changed to "phase down." The emotional reveal of changing this one critical word as the clock wound down is an illustration of the fragile and difficult nature of these negotiations.

When all is said and done, COP26 was an incremental step when a giant leap was necessary. The climate science is clear: warming over 2.0℃ condemns entire nations and the total of the agreements reached at this meeting will rocket the world past this mark.

Impatience with the slow pace was on display in the streets of Galsgow where activists rallied around Greta Thunberg who framed the event as so much "blah, blah, blah." "It is not a secret that COP26 is a failure. It should be obvious that we cannot solve the crisis with the same methods that got us into it in the first place," Thunberg said.

The unanswered question remains, what is the alternative? How do we bring the fractious views of nearly 200 nations into the ambitious agreements needed to solve climate change?

Winston Churchill famously said that "democracy is the worst form of government , except for all the others that have been tried." After 26 meetings producing plodding, incremental progress, perhaps this quote should also be applied to the COP process.

[Source Photo: Ian Forsyth/Getty Images]

Climate risk is financial risk

Perhaps the biggest breakthrough of this meeting came from the private sector. Whether the policy makers agree or not, it's clear that the financial community-represented by the Glasgow Financial Alliance for Net Zero (GFANZ)-is not waiting. This group of 450 of the world's largest financial institutions, overseeing $130 trillion of assets (which is about 30% of all the assets in the world) committed to align their portfolios to net zero by 2050.

Any time a third of all the money in the world lines up behind a single objective is news, but the GFANZ commitment to align on net zero needs to be unpacked. The reason behind this stunning announcement is that climate change now presents a risk to the global financial system. The drumbeat of climate-related losses has become deafening and, just before the COP meeting, the nonpartisan Financial Stability Oversight Council (FSOC) declared climate change a threat to U.S. financial stability. In essence, these asset managers are acting in their own self interest because it is clear now that turning back climate change protects their investments.

The pledges from the financial sector added to a slew of commitments from coalitions of multinational companies, like the global climate pledge. All told, the size and coverage of these commitments are more significant than the agreements between nation states. This is a clear sign that climate risk has become financial risk. The markets have recognized this basic fact and will continue to act on climate with or without prodding from governments.

[Source Photo: Ian Forsyth/Getty Images]

Key Word: Accountability

The most hopeful summary of this COP is that private and public sectors are now working together and mobilizing finance toward the common vision of a low carbon economy. Regardless of how the commitments are framed, they are all just promises. The key aspect going forward is accountability: will governments, financial entities and companies make good on their commitments and how will we know if they do?

A bright spot in the COP meeting was the announcement of the new International Sustainability Standards Board (ISSB). This new entity will create a "global common language" for climate disclosure by consolidating and standardizing ESG reporting and integrating it with financial disclosure.

The ISSB standards, coupled with climate disclosure mandates-already in force in the UK, Japan and New Zealand-will require companies to report audited and assured emissions, climate policies and forward looking statements integrated into their financial statements. This is a game-changer since most carbon disclosure is voluntary now, which makes it inconsistent, unreliable and untethered to financial implications.

These changes mean that companies have to get serious about carbon accounting, treating it with the same rigor as financial reporting. This will require cutting-edge tools such as carbon management and accounting platforms to ensure their carbon footprinting is accurate, transparent, and fully auditable.

[Source Photo: Ian Forsyth/Getty Images]

Better late than never

President Biden flew to Glasgow with little more than good intentions due to Congressional gridlock over his climate agenda. But now the bipartisan infrastructure bill, which features many emission-reducing investments, has passed, and if a scaled down version of the "Build Back Better" bill can also make it through Congress, it will bring even more resources to back up the U.S. pledges on fighting climate change.

History will not remember COP26 as a game-changer, but the meeting did bring some new answers to the table-and moved the overall trajectory in humanity's favor.

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